

BUDGET LETTER

SUBJECT: CONTROL SECTION 3.60	NUMBER: 06-28
REFERENCES:	DATE ISSUED: September 22, 2006
	SUPERSEDES: BL 05-25

TO: Agency Secretaries
Departmental Directors
Departmental Budget Officers
Departmental Accounting Officers
Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE

Note: Please forward a copy of this Budget Letter (BL) to your department's/agency's Personnel and Labor Relations Officers.

This BL provides budget development instructions for the 2006-07 employer retirement rate adjustments.

A. Background—Control Section 3.60

Retirement Rates Have Changed

Through Control Section 3.60, the Legislature adopted new employer retirement contribution rates that are not yet reflected in individual departmental base budgets. Pursuant to Control Section 3.60(a), **departmental appropriations will be adjusted** to accommodate the state employer's share of new retirement costs through the Budget Executive Order process.

Due Dates

Departments are required to return all attachments and related supporting documentation to their respective Department of Finance (Finance) budget analyst as soon as possible, but **no later than Friday, October 20, 2006.**

The following table displays the 2005-06 and 2006-07 retirement rates:

-A-	-B-	-C-
Retirement Category	2005-06 Retirement Rates	2006-07 Retirement Rates
Miscellaneous, First Tier	15.942%	16.997%
Miscellaneous, Second Tier	15.890%	16.778%
State Industrial	17.147%	17.861%
State Safety	19.026%	19.294%
Highway Patrol	26.396%	31.463%
Peace Officer/Firefighter	23.563%	24.505%

B. Instructions

To request funding for eligible adjustments, all departments should complete and submit Attachments II, III, and IV to their respective Finance budget analyst. The information is necessary to support the funding request and to provide the necessary scheduling information to process the Budget Executive Order. Refer to the following attachments to determine appropriate adjustments and to prepare departmental funding requests:

- Attachment I, **Treatment of Budget Documents**
- Attachment II, **Employer Retirement Rate Contribution Adjustment Worksheet**
- Attachment III, **Planning Estimate Adjustment Summary**
- Attachment IV, **Control Section 3.60 Scheduling Worksheet**

Attachment I, Treatment of Budget Documents

Attachment I provides instructions on how to post retirement adjustments to the Planning Estimates and Supplementary Schedule of Appropriations (Schedule 10s). The attachment also explains how the retirement adjustments will be displayed in the Detail of Appropriations and Adjustments (Reconciliation with Appropriations).

Attachment II, Employer Retirement Rate Contribution Adjustment Worksheet

Because of the large number of compensation increases approved after July 1, 2006, all retirement adjustments for salary increases will be computed in the forthcoming Budget Letter for Employee Compensation. This is a change from the previous year when the 2005-06 salary base was increased prior to the calculation of retirement adjustments. For the 2006-07 salary base, use the 2007-08 Schedule 7A, current year (2006-07). The total 2006-07 salary base should tie to the total salaries in the current year of the 2007-08 Schedule 7A.

Except for the Salary Savings Rate and the Fund Split, all cells are formula driven. For the Salary Savings Rate, use the 2006-07 budgeted salary savings rate included in the first pass of the 2007-08 Budget Galley.

Attachment III, Planning Estimate Adjustment Summary

Split the amounts shown on Attachment II, Employer Retirement Rate Contribution Adjustment Worksheet by item of appropriation.

Attachment IV, Control Section 3.60 Scheduling Worksheet

Provide scheduling information for all adjustments. The total on Attachment IV, Control Section 3.60 Scheduling Worksheet must tie to the total on Attachment III, Planning Estimate Adjustment Summary.

C. Treatment of Budget Documents

Departments will use the Employer Retirement Rate Contribution Adjustment Worksheet (Attachment II) to calculate the required budget adjustment. Budget staff of the affected departments and their respective Finance budget analysts will make the necessary adjustments to the 2006-07 and 2007-08 budget documents to reflect the retirement rate adjustments identified on Attachment II. These include adjustments to the Planning Estimates, Schedule 10s, the Governor's Budget (Expenditures by Category (Summary by Object), etc.), and Supplementary Schedules.

See Attachment I, (pages 1 and 2), of this BL for instructions on the treatment of budget documents.

Departments must use the retirement rates in Column C of the table on page 2 in any Budget Change Proposal submitted to Finance, whether for the current year (2006-07) or the budget year (2007-08).

D. Additional Information

Please direct your questions to the following:

- Treatment of budget documents should be directed to your Finance budget analyst.
- Technical guidance on this BL should be directed to Koreen Hansen, Employee Compensation Unit, at (916) 445-3274 (CNET 8-485-3274).

/s/ Tim Lynn

Tim Lynn
Assistant Program Budget Manager

Attachments

**EMPLOYER RETIREMENT CONTRIBUTION RATE ADJUSTMENTS
TREATMENT OF BUDGET DOCUMENTS**

A. Planning Estimates (PE)

Section 3.60—Post the totals from the completed Attachment III to PE line 0200 for each applicable item of appropriation as reflected on Attachment III. These baseline adjustments must be entered for both **current year** (2006-07) and **budget year** (2007-08). Attachment II will be used by Finance budget analysts to update the PE system prior to receiving completed PE worksheets from departments.

B. Schedule 10s

A Budget Executive Order will be prepared to adjust 2006-07 departmental appropriations due to the change in retirement rates. Departments must **manually** post the 2006-07 adjustments listed on Attachment II to their current year Schedule 10s.

Example:

Adjustment per Section 3.60:

Program A or Personal Services	\$XXX
Program B or OE&E	\$XXX
Reimbursements	<u>-\$XXX</u>
Total	\$XXX

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C. Detail of Appropriations and Adjustments (RWA)

Adjustments per Control Section 3.60 will be displayed in the automated RWA on the line entitled "Adjustment per Section 3.60," based on the adjustments posted on the department's Schedule 10s.

Example:

DETAIL OF APPROPRIATIONS AND ADJUSTMENTS (RECONCILIATION WITH APPROPRIATIONS)				
1 STATE OPERATIONS				
0001 General Fund				
	2005-06	2006-07	2007-08	
APPROPRIATIONS				
001 Budget Act appropriation	\$XXX	\$XXX	\$XXX	
Adjustment per Section 3.60	<u>XX</u>	<u>XX</u>	<u>--</u>	
Totals Available	\$XXX	\$XXX	\$XXX	
Unexpended balance, estimated savings	<u>-X</u>	<u>--</u>	<u>--</u>	
TOTALS, EXPENDITURES	\$XXX	\$XXX	\$XXX	